

Ithaca Public Schools
Ithaca, Michigan
Annual Financial Statements
and
Auditors' Report
June 30, 2004

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Ithaca Public Schools
Ithaca, Michigan
Members of the Board of Education and Administration
June 30, 2004

Members of the Board of Education

JOSHUA MERCHANT	PRESIDENT
BRAD PEET	VICE-PRESIDENT
CATHERINE RAYBURN	SECRETARY
DON MACHA	TREASURER
RUSSELL FOWLER	TRUSTEE
MARITA HARKNESS	TRUSTEE
MICHAEL CHAFFIN	TRUSTEE

Administration

CHARLES SCHNETZLER	SUPERINTENDENT
STEVE NETZLEY	ASSISTANT SUPERINTENDENT
ROSEMARY DUCKWORTH	BOOKKEEPER/SECRETARY
TOM NEUENFELDT	HIGH SCHOOL PRINCIPAL
JAN BEAMISH	MIDDLE SCHOOL PRINCIPAL
KATHY PAUL	NORTH ELEMENTARY PRINCIPAL
TERRI BROWN	SOUTH ELEMENTARY PRINCIPAL

Independent Auditors' Report

To the Board of Education
Ithaca Public Schools
Ithaca, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Ithaca Public Schools as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ithaca Public Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ithaca Public Schools as of June 30, 2004 and the respective changes in financial position, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2004 on our consideration of the Ithaca Public Schools' internal control over financial reporting and on our tests of its provisions of laws, regulations and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The administration's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Ithaca Public Schools' basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Alma, Michigan
August 19, 2004

Ithaca School Public School District
Administration's Discussion and Analysis
Year Ended June 30, 2004

Ithaca Public Schools (the District) Administration discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity, identify changes in the District's financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and is intended to provide the financial results for the fiscal year ending June 30, 2004.

This is the second year of GASB 34 implementation. The following is an illustration on how this financial report is presented.

MD&A

Administration's Discussion And Analysis (required supplementary information – new)

Basic Financial Statements

Fund District –wide Financial Statements (refocused) Notes to the financial statements (expanded / restructured)
--

Supplementary Information

Required supplementary information (other than MD & A expanded)
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As indicated in the illustration, GASB 34 requires the presentation of two basic types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Ithaca Public Schools
Administration's Discussion and Analysis
Year Ended June 30, 2004

District Wide Financial Statements

The District wide statements provide a perspective of the District as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two District wide statements: the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

Consistent with the full accrual basis method of accounting the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various District services.

Fund Financial Statements

The fund statements are similar to financial presentations with the focus on the District's Major Funds rather than fund types as in the past. The two Account Groups: General Fixed Assets and General Long Term Debt are no longer reported. Consistent with previous years, the fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period those goods and services are used in school programs. In addition, capital asset purchases are expensed and not recorded as an asset. Debt payments are recorded as expenditures in the current year and future debt obligations are not recorded.

Fund types include the General Fund, Special Revenue Fund, Debt Retirement Fund, and Fiduciary Fund. The General Fund is used primarily to account for the general education requirements of the District. Its revenues are derived from property taxes, state and federal distributions and grants and other intergovernmental revenues. The Special Revenue Fund is comprised of Athletic Activities and Food Service. The Debt Fund is used to record the funding and payment of principal and interest on bonded debt. The Fiduciary Funds account for assets held by the District in a trustee capacity or as an agent for various student groups and related activities.

Ithaca Public Schools
Administration's Discussion and Analysis
Year Ended June 30, 2004

Financial Analysis of the District as a Whole with Previous Year Comparisons

Summary of Net Assets

	<u>2003-2004</u>	<u>2002-2003</u>
Assets		
Current assets	\$2,966,980	\$2,943,050
Capital assets	7,818,473	7,723,348
Less accumulated depreciation	<u>(5,138,735)</u>	<u>(4,993,148)</u>
Capital assets, net	<u>2,679,738</u>	<u>2,730,200</u>
Total assets	<u>\$5,646,718</u>	<u>\$5,673,250</u>
Liabilities		
Current liabilities	\$1,201,145	\$1,021,240
Long-term liabilities	<u>3,771,595</u>	<u>4,054,712</u>
Total liabilities	\$4,972,740	5,075,952
Net assets		
Total capital assets, net of related debt	(1,085,936)	(1,205,474)
Restricted	57,456	89,773
Unrestricted	<u>1,702,458</u>	<u>1,712,999</u>
Total net assets	<u>\$673,978</u>	<u>\$597,298</u>

Summary of Net Assets

As indicated by the statement above, total net assets are \$673,978. Net assets can be separated into three categories: net capital assets net of related debt, restricted assets, and unrestricted assets.

Net capital assets are a combination of funds available for capital assets, plus capital assets at original cost less accumulated depreciation and related debt. The original cost of capital assets is \$7,818,473, which is an accumulation of capital assets year after year less any capital disposals. The accumulated depreciation is the accumulation of depreciation expense since acquisition. In accordance with Generally Accepted Accounting Principles (GAAP), depreciation expense is recorded on the original cost of the asset, less an estimated salvage value, expensed over the estimated useful life of the asset. Total accumulated depreciation is \$5,138,735. Most capital asset acquisitions are financed through long-term debt. Primarily, long-term debt is repaid as the debt service comes due through property taxes approved by the voters. Total general obligation bonds are \$3,615,000.

Restricted assets consist of debt retirement, totaling \$72,697.

The remaining \$1,687,217 is unrestricted. The unrestricted fund balance is an accumulation of prior years' operating results. This balance is directly affected each year by the District's operating results.

Ithaca Public Schools
Administration's Discussion and Analysis
Year Ended June 30, 2004

Results of Operations with Previous Year Comparisons

	<u>2003-2004</u>		<u>2002-2003</u>	
	Amount	% of Total	Amount	% of Total
Program revenue				
Charges for services	\$ 517,754	4.3%	\$ 489,180	4.1%
Operating grants and contributions	1,721,973	14.3%	1,607,795	13.4%
General revenue	<u>9,844,367</u>	<u>81.4%</u>	<u>9,886,769</u>	<u>82.5%</u>
Total Revenue	\$12,084,094	100%	\$11,983,744	100.0%
Expenses				
Instruction	\$6,911,342	57.4%	\$6,759,798	58.5%
Support services	3,609,220	30.0%	3,338,562	28.9%
Food service	490,727	4.1%	469,608	4.1%
Athletic activities	310,508	2.6%	305,450	2.6%
Community services	197,423	1.7%	208,703	1.8%
Interest on long-term debt	173,910	1.5%	183,785	1.6%
Intergovernment al payment	11,922	.1%	19,539	.2%
Capital outlay	131,502	1.1%	95,068	.8%
Depreciation	<u>183,652</u>	<u>1.5%</u>	<u>178,059</u>	<u>1.5%</u>
Total expenses	\$12,020,206	100%	\$11,558,572	100.0%
Change in net assets	<u>\$ 63,888</u>		<u>\$ 425,172</u>	

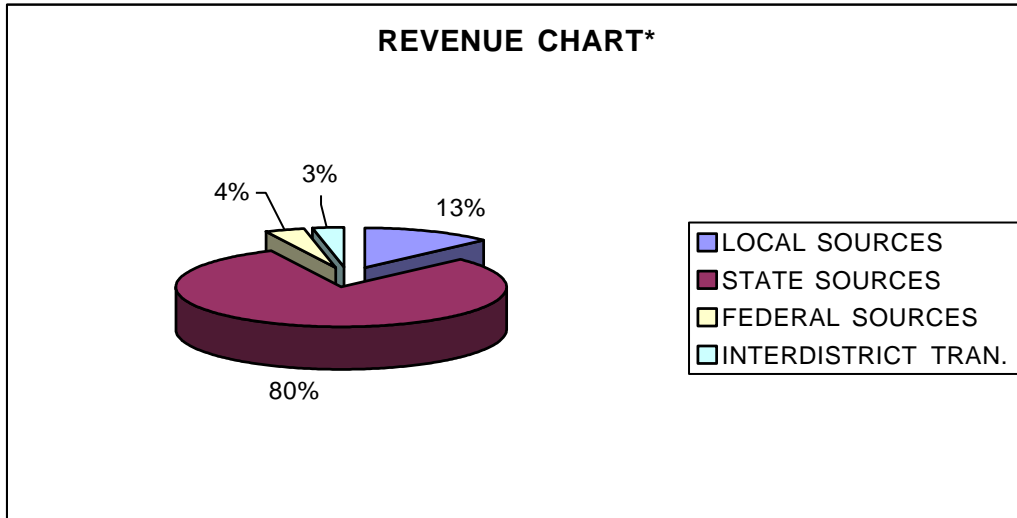
As indicated above net assets increased \$63,888.

**Ithaca Public Schools
Administration's Discussion and Analysis
Year Ended June 30, 2004**

Revenues

The following chart illustrates the District's sources of revenues by percentages:

*Revenue chart is based on all District Funds combined



Sources of Revenues

Local sources of revenues total \$1,537,674 and include revenues to the General Fund of \$759,931, Debt Fund of \$348,255, Athletic Fund of \$108,463 and Food Service Fund of \$321,025.

State sources of revenue total \$9,693,840, and include revenues to the General Fund of \$9,668,238 and the Food Service Fund of \$25,602. Included in the state sources of revenue is the membership foundation allowance of \$8,846,558 in the General Fund, \$349,655 in the Special Education Funds and \$101,184 in Renaissance Zone funding. State sources of revenue make up 80% of General Fund revenues. This ties the district directly to the State's overall economy.

Federal sources of revenue total \$480,974 and include revenue to the General Fund of \$312,021 and Food Service Fund of \$168,953.

Interdistrict sources of revenue total \$371,606 to the General Fund. The major source of revenue is the County special education tax.

Ithaca Public Schools
Administration's Discussion and Analysis
Year Ended June 30, 2004

Property Taxes

A portion of local revenue is provided from property taxes for the General Fund and Debt Retirement Fund. Property tax revenue totaled \$966,732. This amount is obtained through a voter approved 18.00-mill levy on the taxable value of non-homestead properties for the District's operations and a voter approved 2.23-mill levy on the taxable value of all properties, homestead and non-homestead, for debt interest and principal payments. Over the last 5 years taxable values have increased each year on average of 5.56%, for homestead and non-homestead properties, combined. The following table illustrates this increase:

TAXABLE VALUE GROWTH HISTORY

YEAR	TAXABLE VALUE	GROWTH
1999	\$122,835,917	6.33%
2000	\$130,565,635	6.29%
2001	\$139,787,110	7.06%
2002	\$146,195,363	4.58%
2003	\$153,927,608	5.29%
2004	\$160,973,011	4.58%

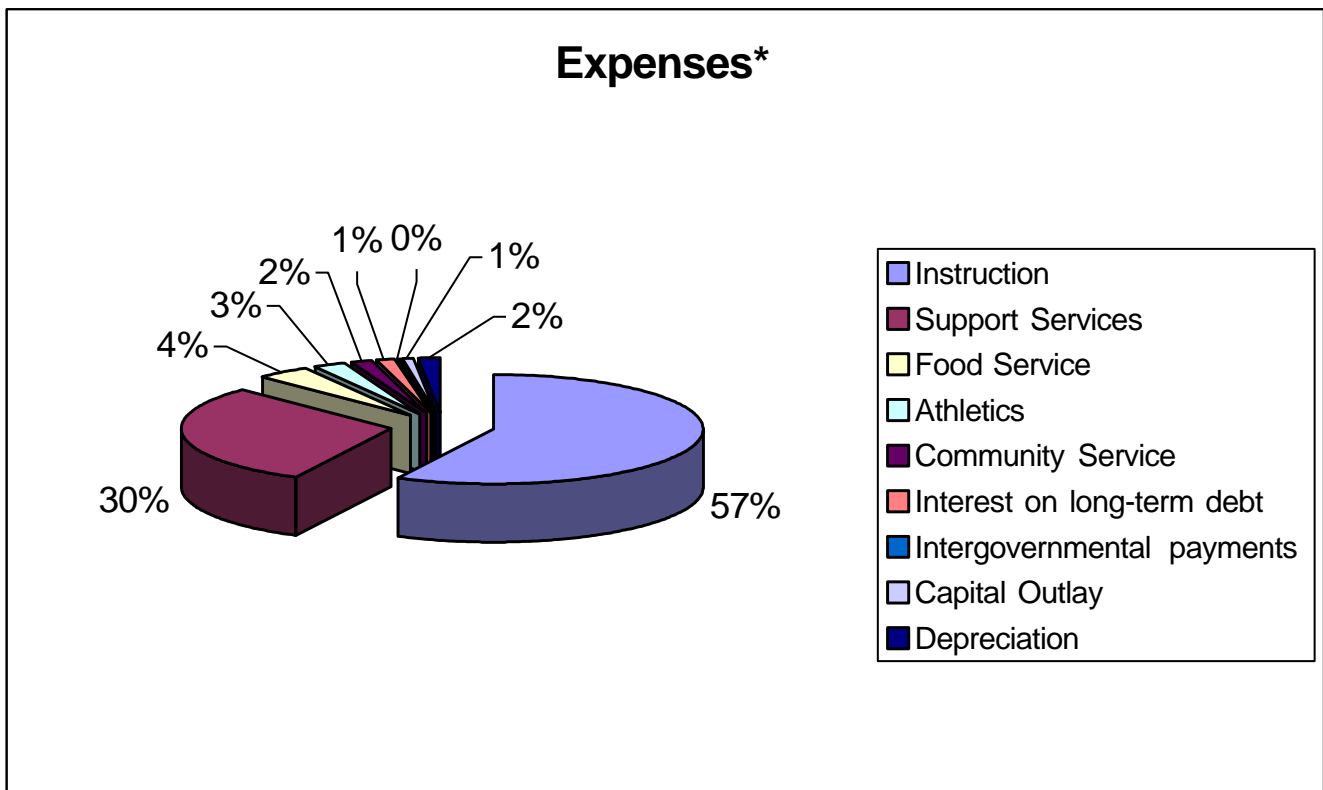
Unrestricted State Aid Foundation Allowance

A significant portion of state funding to the District is through the foundation allowance. The foundation allowance is funding from the state for each student set annually. The District's foundation allowance is \$6,626 per student for the 2003 – 2004 fiscal year. This is a decrease of over the District's 2002 – 2003 foundation allowance of \$6,700 per student (less pro-ration). The number of students to be funded is calculated by student enrollment blended at 80% of current year September count and 20% of prior year February count. Total blended student enrollment for this fiscal year is 1,484.46. The overall funding is then reduced by the District's non-homestead tax levy based on 18.0-mills.

**Ithaca Public Schools
Administration's Discussion and Analysis
Year Ended June 30, 2004**

Expenses

The following chart illustrates the District's expenses by percentages:



*Expense chart is based on all District Funds combined.

Expenses include Instruction of \$6,911,342, Support Services of \$3,609,220, Community Services of \$197,423, Food Service Funds of \$490,727, Athletics Service Funds of \$310,508, capital outlay of \$131,502, intergovernmental payments of \$11,922, interest on long-term debt of \$337,999, and depreciation of \$183,652.

Ithaca Public Schools
Administration's Discussion and Analysis
Year Ended June 30, 2004

Capital Assets and Debt Administration

Capital Assets

At June 30, 2004, the District had \$2,679,738 invested in a broad range of capital assets, including land, buildings, furniture and equipment.

Assets	<u>2004</u>	<u>2003</u>
Land	\$1,229,558	\$1,229,558
Buildings and additions	3,840,891	3,803,155
Site Improvements	491,410	491,410
Buses and other vehicles	981,104	935,539
Furniture and equipment	<u>1,275,510</u>	<u>1,263,686</u>
Subtotal	\$7,818,473	\$7,231,938
Less accumulated depreciation	<u>(5,138,735)</u>	<u>(4,993,148)</u>
	<u>\$2,679,738</u>	<u>\$2,730,200</u>

Debt

At the end of this fiscal year, the District had \$3,615,000 in General Obligation Bonds outstanding. This is a decrease of \$170,000 from last year. Other outstanding debt includes the 2002 retirement incentive of \$275,000. This is a decrease of \$97,500 from last year.

Economic Factors and Next Year's Budgets and Rates

The Board of Education and administration consider many factors when setting the School District's 2005 fiscal year budget. Two of the major factors affecting the budget are the student count and the State funding of the unrestricted foundation allowance. As stated earlier in this report the state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2005 fiscal year is 25 percent and 75 percent of the February 2004 and September 2004 student counts respectively. The 2005 budget was adopted in June 2004, based on an estimate of students that will be enrolled in September 2004. As a result, district funding is heavily dependent on the state's ability to fund local school operations.

Once the final student count and related per pupil funding is validated, state law requires the District to amend the budget if actual district resources are not sufficient to fund original appropriations. Since the District's revenue is heavily dependent upon state funding, actual funding depends on the state's ability to collect revenues to fund its appropriations to school districts.

Ithaca Public Schools
Administration's Discussion and Analysis
Year Ended June 30, 2004

- The 2003-2004 fiscal year is the first year of a three-year labor contract with Ithaca Education Association. This three-year agreement was ratified June 17, 2004.
- The 2003-2004 fiscal year is the second year of the labor contract with the International Union of Operating Engineers. This contract is a three-year contract with a re-opener for financial issues in year two and three.

Original vs. Actual Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the District amends its budget twice during the school year. For fiscal year 2003-2004, the budget was amended in October 2003 and January 2004.

General Fund Revenues

Total Revenues – Final Budget	\$11,147,942
Total Revenues – Original Budget	<u>11,106,028</u>
Difference	<u>\$(41,914)</u>

Increase in Revenue Budget

The District's actual general fund revenues were greater than originally budgeted by \$41,914, a variance of .38%.

Some of the significant revised budget adjustments for the year include:

- Governor's executive order cut reduced our State funding by \$109,850.
- Increase in MSR4's grant increased State funding by \$59,400.
- Increase in At Risk Grant increased State funding by \$39,095.
- Decrease in Title I funding of \$29,176.
- There were numerous other increases and decrease in revenue spread out over multiple programs

Ithaca Public Schools
Administration's Discussion and Analysis
Year Ended June 30, 2004

General Fund Expenditures

Total Expenditure s – Final Budget	\$11,351,887
Total Expenditures – Original Budget	<u>11,079,827</u>
Difference	<u>\$272,060</u>

Increase in Expenditure Budget

As indicated on the previous page, the District's actual general fund expenditures were more than the original budget by 2.5%.

Some of the significant revised budget adjustments for the year include:

- Increased tuition payments for vocational education by \$14,610 due to increased enrollment.
- Lowered the JH/HS energy budgets by \$34,695 due to lower than anticipated natural gas prices and lower rates received from the electrical consortium.
- Reduced executive administration budget by \$13,615.
- Increased capital outlay for technology by \$25,106 due to auditor's prior year adjustment.
- Increased district-wide textbook line item by \$73,263 in order to purchase language art material.
- Lowered testing service expense by \$15,739 due to elimination of some standardized testing material.
- Lowered interest on loan line item by \$20,034 due to lower than anticipated interest rates and quicker than anticipated payback.
- Increased maintenance and operation budget by \$136,063 for the purpose of repairing the gym wall, repairing the pool and replacing the hot water tank at the high school as well as other repair items.
- Lowered transportation cost by \$62,271 with the elimination of the purchase of a second bus.
- Multiple changes were made in the Title I, At-Risk and MSR4's budgets due to loss or increase of funding.
- There were multiple other increases and decreases in expenditures spread out over multiple programs.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Superintendent of Schools at the Ithaca Public School District, 710 North Union Street, Ithaca, Michigan, 48447.

Ithaca Public Schools
Statement of Net Assets
June 30, 2004

	Governmental Activities
Assets	
Current assets	
Cash	\$ 1,161,556
Assets held by others	26,387
Accounts receivable	3,566
Due from other governmental units	1,773,504
Inventory	1,967
Total current assets	<u>2,966,980</u>
Noncurrent assets	
Capital assets	
Land	1,229,558
Buildings and additions	3,840,891
Site improvements	491,410
Furniture and equipment	1,275,510
Buses and other vehicles	981,104
Less: accumulated depreciation	<u>(5,138,735)</u>
Total noncurrent assets	<u>2,679,738</u>
Total assets	<u>5,646,718</u>

Ithaca Public Schools
Statement of Net Assets
June 30, 2004

	Governmental Activities
Liabilities	
Current liabilities	
Accounts payable	\$ 142,313
Due to employees	3,296
Due to other governmental units	743
Building and site bonds payable, current portion	180,000
Accrued interest	42,573
Retirement incentives, current portion	97,500
Payroll deductions and withholdings and payroll related accrued liabilities	65,052
Accrued salaries payable	620,190
Deferred revenue	49,478
Total current liabilities	<u>1,201,145</u>
Noncurrent liabilities	
Building and site bonds payable, long-term portion	3,435,000
Durant bonds payable	150,674
Compensated absences payable	8,421
Retirement incentives, long-term portion	177,500
Total noncurrent liabilities	<u>3,771,595</u>
Total liabilities	<u>4,972,740</u>
Net Assets	
Invested in capital assets, net of related debt	(1,085,936)
Restricted for:	
Debt service	72,697
Unrestricted	<u>1,687,217</u>
Total net assets	<u><u>\$ 673,978</u></u>

Ithaca Public Schools
Statement of Activities
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 6,911,342	\$ 90,235	\$ 1,527,418	\$ -	\$ (5,293,689)
Supporting services	3,609,220	-	-	-	(3,609,220)
Food services	490,727	319,056	194,555	-	22,884
Athletics	310,508	108,463	-	-	(202,045)
Community services	197,423	-	-	-	(197,423)
Interest on long-term debt	173,910	-	-	-	(173,910)
Intergovernmental payments	11,922	-	-	-	(11,922)
Capital outlay (uncapitalized)	131,502	-	-	-	(131,502)
Depreciation- unallocated	183,652	-	-	-	(183,652)
Total governmental activities	<u>\$ 12,020,206</u>	<u>\$ 517,754</u>	<u>\$ 1,721,973</u>	<u>\$ -</u>	(9,780,479)
General revenues					
Property taxes, levied for general purposes					622,772
Property taxes, levied for debt service					343,960
State aid - unrestricted					8,814,773
Interest and investment earnings					12,898
Other					49,964
Total general revenues					<u>9,844,367</u>
Change in net assets					63,888
Net assets - beginning					<u>610,090</u>
Net assets - ending					<u>\$ 673,978</u>

Ithaca Public Schools
Balance Sheet - Governmental Funds
June 30, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 963,329	\$ 198,227	\$ 1,161,556
Assets held by others	26,387	-	26,387
Accounts receivable	-	3,566	3,566
Due from other funds	21,668	-	21,668
Due from other governmental units	1,773,504	-	1,773,504
Inventory	-	1,967	1,967
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,784,888</u>	<u>\$ 203,760</u>	<u>\$ 2,988,648</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 139,255	\$ 3,058	\$ 142,313
Due to other funds	-	21,668	21,668
Due to employees	3,296	-	3,296
Due to other governmental units	718	25	743
Payroll deductions and withholdings and payroll related accrued liabilities	65,052	-	65,052
Accrued salaries payable	613,885	6,305	620,190
Deferred revenue	49,478	-	49,478
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	871,684	31,056	902,740
Fund Balance			
Reserved for debt service	-	100,029	100,029
Reserved for inventory	-	1,967	1,967
Designated for North Elementary's new roof	200,000	-	200,000
Other undesignated	1,713,204	70,708	1,783,912
	<u> </u>	<u> </u>	<u> </u>
Total fund balance	1,913,204	172,704	2,085,908
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balance	<u>\$ 2,784,888</u>	<u>\$ 203,760</u>	<u>\$ 2,988,648</u>

Ithaca Public Schools
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets
June 30, 2004

Total fund balances for governmental funds \$ 2,085,908

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Those assets consist of:

Land	1,229,558	
Buildings and additions	3,840,891	
Site improvements	491,410	
Furniture and equipment	1,275,510	
Buses and other vehicles	981,104	
Less: accumulated depreciation	<u>(5,138,735)</u>	2,679,738

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Current-term liabilities balances as of June 30, 2004 are as follows:

4 - 5

Building and site bonds payable	(180,000)	
Accrued interest payable	(42,573)	
Retirement incentives payable	<u>(97,500)</u>	(320,073)

Long-term liabilities applicable to the School District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Long-term liabilities balances as of June 30, 2004 are as follows:

Compensated absences payable	(8,421)	
Retirement incentives payable	(177,500)	
Building and site bonds payable	(3,435,000)	
Durant bonds payable	<u>(150,674)</u>	<u>(3,771,595)</u>

\$ 673,978

Net assets of governmental activities

Ithaca Public Schools
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 759,931	\$ 777,743	\$ 1,537,674
State sources	9,668,238	25,602	9,693,840
Federal sources	312,021	168,953	480,974
Interdistrict sources	<u>371,606</u>	<u>-</u>	<u>371,606</u>
Total revenues	<u>11,111,796</u>	<u>972,298</u>	<u>12,084,094</u>
Expenditures			
Current			
Education			
Instruction	6,980,430	-	6,980,430
Supporting services	3,643,249	-	3,643,249
Food services	-	490,727	490,727
Athletics	-	310,508	310,508
Community services	197,423	-	197,423
Intergovernmental payments	11,922	-	11,922
Capital outlay	261,699	2,993	264,692
Debt service	<u>-</u>	<u>337,999</u>	<u>337,999</u>
Total expenditures	<u>11,094,723</u>	<u>1,142,227</u>	<u>12,236,950</u>
Excess (deficiency) of revenues over expenditures	17,073	(169,929)	(152,856)
Other financing sources (uses)			
Transfers in	-	206,103	206,103
Transfers out	<u>(206,103)</u>	<u>-</u>	<u>(206,103)</u>
Total other financing sources and uses	<u>(206,103)</u>	<u>206,103</u>	<u>-</u>
Net change in fund balance	(189,030)	36,174	(152,856)
Fund balance - beginning	<u>2,102,234</u>	<u>136,530</u>	<u>2,238,764</u>
Fund balance - ending	<u><u>\$ 1,913,204</u></u>	<u><u>\$ 172,704</u></u>	<u><u>\$ 2,085,908</u></u>

Ithaca Public Schools
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended June 30, 2004

Net change in fund balances - total governmental funds **\$ (152,856)**

Total change in net assets reported for governmental activities in the statement of activities
is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those
assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(183,652)	
Capital outlay	133,190	(50,462)

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund
balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the
statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the
liability in the statement of net assets.

Repayments of long-term debt	170,000	170,000

4 - 7 Some expenses reported in the statement of activities do not require the use of current financial resources and
therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	5,617	
Change in retirement incentives payable	97,500	
Change in accrued interest on bonds	(5,911)	97,206

Change in net assets of governmental activities **\$ 63,888**

Ithaca Public Schools
Statement of Fiduciary Net Assets
June 30, 2004

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash	\$ 62,582	\$ 207,053
Liabilities		
Due to student activities	-	207,053
Net assets		
Reserved for scholarships and loans	\$ 62,582	\$ -

Ithaca Public Schools
Statement of Changes in Fiduciary Net Assets - Private Purpose Trust Funds
Year Ended June 30, 2004

	<u>Private Purpose Trust Funds</u>
Additions	
Local sources	\$ 11,533
Deductions	
Scholarships	<u>4,195</u>
Change in net assets	7,338
Net assets - beginning	<u>55,244</u>
Net assets - ending	<u><u>\$ 62,582</u></u>

Ithaca Public Schools
Notes to Financial Statements
June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ithaca Public Schools (School District) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the School District's significant accounting policies:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide Financial Statements

The School District's basic financial statements include both district-wide (reporting for the district as a whole) and fund financial statements (reporting the School District's major funds). The district-wide financial statements categorize all nonfiduciary activities as either governmental or business type. All of the School District's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The School District's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the School District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, interest and investment earnings, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The School District does not allocate indirect costs. In creating the district-wide financial statements the School District has eliminated interfund transactions.

The district-wide focus is on the sustainability of the School District as an entity and the change in the School District's net assets resulting from current year activities.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both

Ithaca Public Schools
Notes to Financial Statements
June 30, 2004

measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental fund:

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not required to be provided for in other funds.

Additionally, the School District reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The School District's Special Revenue Funds include Food Service and Athletic Funds. The annual operating surplus or deficit generated by these activities is generally transferred to or from the General Fund.

Debt Service Fund – Debt Service Funds are used to record tax, interest, and other revenue and the payment of interest, principal, and other expenditures on long-term debt.

Fiduciary Funds – Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. This fund is used to record the transactions of student groups for school and school-related purposes.

Assets, Liabilities and Equity

Deposits and assets held by others – Cash includes cash on hand, demand deposits and short term investments with a maturity of three months or less when acquired. Assets held by others includes cash held by the Gratiot Community Foundation.

Receivables and Payables – Generally, outstanding amounts owed between funds are classified as "due from/to other funds". These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Property taxes and other trades receivable are shown net of an allowance for uncollectible amounts.

Property taxes collected are based upon the approved tax rate for the year of levy. For the fiscal year ended June 30, 2004, the General Fund rate was 18.0000 per \$ 1,000 of non-homestead assessed value, and the Debt Fund rate was 2.2300 per \$ 1,000 of both homestead and non-homestead assessed value.

Ithaca Public Schools
Notes to Financial Statements
June 30, 2004

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the School District's boundaries. Approximately 81% of the School District's tax roll lies within the City of Ithaca and the Townships of Newark and New Haven.

Property taxes are assessed as of December 31 and attach as an enforceable lien on July 1 of the following year. School property taxes are levied on December 1 and July 1 and are due on or before March 1 and October 31, respectively. Collections are forwarded to the School District as collected by the assessing municipalities. Real property taxes uncollected as of March 1 are purchased by the County of Gratiot and remitted to the School District before fiscal year end.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The School District defines capital assets as assets with an initial individual cost in excess of \$5,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure assets. Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-20 years

Compensated Absences – Sick days are earned by teachers at the rate of one day per school month (10 days per year). A maximum of 30 unused sick days may be accumulated by an employee. Upon retirement or termination of employment, unused sick days are forfeited. There is no contractual provision for payment of unused vacation. They may be used for vacation only.

Employees who are not teachers are awarded sick days at the rate of 1 ¼ days per month, accumulative to 45 days. There is no contractual provision for payment of unused sick days. Vacation days are accumulated based on years of service, up to a maximum of 20 days. Retiring employees are paid for vacation days up to the maximum number of days accumulated. There is no contractual provision for payment of unused vacation days for teachers.

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated vacation leave balances. The amount reported is salary related and includes no fringe benefits, since the amount of said benefits would be immaterial.

Long-term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Ithaca Public Schools
Notes to Financial Statements
June 30, 2004

Comparative Data

Comparative data is not included in the School District's financial statements.

Eliminations and Reclassifications

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Economic Dependency

The School District received approximately 87% of their General Fund revenue from the Michigan Department of Education. Due to the significance of this revenue source, the School District is considered to be economically dependent on the Michigan Department of Education.

Concentrations

Approximately 56% of the School District's employees work under collective bargaining agreements. The teacher contract, which represents approximately 53% of employees, will expire on June 30, 2006.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The appropriation level adopted by the Board is the level of control authorized under the Act. The Act requires expenditures to be budgeted on a functional basis. State law requires the School District to have its budget in place by July 1. A district is not considered in violation of the Act if reasonable procedures are in use by the School District to detect violations.

The Superintendent is authorized to transfer budgeted amounts between functions within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

Ithaca Public Schools
Notes to Financial Statements
June 30, 2004

Excess of Expenditures over Appropriations

During the year ended June 30, 2004, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Function</u>	<u>Total Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund			
Supporting Services			
General administration	\$ 755,034	\$ 757,637	\$ 2,603
Operations and maintenance	1,144,927	1,157,392	12,465
Other Financing Uses	196,114	206,103	9,989
Special Revenue Funds			
Food service	486,340	493,720	7,380
Athletics	205,970	310,508	104,538

NOTE 3 - DEPOSITS AND INVESTMENTS

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits and investments are in accordance with statutory authority.

At year end, the School District's deposits (checking, savings accounts, and certificates of deposit) were reported in the basic financial statements as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 1,161,556	\$ 269,635	\$ 1,431,191

The breakdown between deposits and investments for the School District is as follows:

The deposits of the School District were reflected in the accounts of financial institutions at \$ 1,802,779 of which \$ 200,000 is covered by federal depository insurance.

As of June 30, 2004, the School District did not have investments.

Ithaca Public Schools
Notes to Financial Statements
June 30, 2004

NOTE 4 - CAPITAL ASSETS

A summary of the changes in governmental capital assets is as follows:

Assets not being depreciated				
Land	\$ 1,229,558	\$ -	\$ -	\$ 1,229,558
Other capital assets				
Buildings and additions	3,803,155	37,736	-	3,840,891
Site improvements	491,410	-	-	491,410
Buses and other vehicles	935,539	83,630	(38,065)	981,104
Furniture and equipment	<u>1,263,686</u>	<u>11,824</u>	<u>-</u>	<u>1,275,510</u>
				-
Subtotal	<u>7,723,348</u>	<u>133,190</u>	<u>(38,065)</u>	<u>7,818,473</u>
Accumulated depreciation				
Buildings and additions	(2,798,215)	(70,157)	-	(2,868,372)
Site improvements	(404,994)	(13,891)	-	(418,885)
Buses and other vehicles	(690,177)	(67,205)	38,065	(719,317)
Furniture and equipment	<u>(1,099,762)</u>	<u>(32,399)</u>	<u>-</u>	<u>(1,132,161)</u>
Subtotal	<u>(4,993,148)</u>	<u>(183,652)</u>	<u>38,065</u>	<u>(5,138,735)</u>
Net capital assets	<u>\$ 2,730,200</u>	<u>\$ (50,462)</u>	<u>\$ -</u>	<u>\$ 2,679,738</u>

Depreciation for the fiscal year ended June 30, 2004 amounted to \$ 183,652. The School District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 5 - INTERFUND RECEIVABLE AND PAYABLE AND TRANSFERS

Individual interfund receivable and payable balances at June 30, 2004 were:

Fund	Receivable	Payable	Purpose
General Fund	\$ 21,668	\$ -	Reimbursement of expenditures paid by other funds
Food Service Fund	<u>-</u>	<u>21,668</u>	Reimbursement of expenditures paid by other funds
	<u>\$ 21,668</u>	<u>\$ 21,668</u>	

Ithaca Public Schools
Notes to Financial Statements
June 30, 2004

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund transfers were made during the year ended June 30, 2004 between the General Fund and the Athletics Fund totaling \$ 206,103. These transfers were made to cover the costs of the School District's programs that were in excess of revenues generated from those activities.

NOTE 6 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grant and categorical and payments received prior to meeting all eligibility requirements	-	49,478
Total	<u>\$ -</u>	<u>\$ 49,478</u>

NOTE 7 - STATE AID ANTICIPATION NOTE

The School District issues state aid anticipation notes in advance of state aid collections, depositing the proceeds in the General Fund. These notes are necessary because the School District receives state aid from October through the following August for its fiscal year ending June 30th.

Short-term debt activity for the year ended June 30, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Ending Balance</u>
State aid anticipation note	\$ -	\$ 850,000	\$ 850,000	\$ -

NOTE 8 - LONG-TERM DEBT

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and termination benefits.

Ithaca Public Schools
Notes to Financial Statements
June 30, 2004

Long-term obligation activity can be summarized as follows:

	Beginning			Ending	Amount Due
	Balance	Additions	Reductions	Balance	Within One
					Year
Government obligation bonds	\$ 3,785,000	\$ -	\$ 170,000	\$ 3,615,000	\$ 180,000
Other bonds	150,674	-	-	150,674	-
Compensated absences	14,038	-	5,617	8,421	-
Retirement benefits	<u>372,500</u>	<u>-</u>	<u>97,500</u>	<u>275,000</u>	<u>97,500</u>
Total	<u>\$ 4,322,212</u>	<u>\$ -</u>	<u>\$ 273,117</u>	<u>\$ 4,049,095</u>	<u>\$ 277,500</u>

General obligation bonds payable at June 30, 2004 consists of the following:

\$ 3,910,000 1999 refunding bond due in annual installments of \$ 180,000 to \$ 220,000 through May 1, 2021, interest at 3.85% to 4.90%	<u>\$ 3,615,000</u>
Total general obligation bonded debt	<u>\$ 3,615,000</u>

Future principal and interest requirements for bonded debt is as follows:

Year Ending June 30,	Principal	Interest	Total
2005	180,000	160,798	340,798
2006	190,000	153,868	343,868
2007	195,000	146,362	341,362
2008	200,000	138,464	338,464
2009	210,000	130,266	340,266
2010-2014	1,100,000	513,480	1,613,480
2015-2019	1,100,000	265,100	1,365,100
2020-2021	<u>440,000</u>	<u>32,340</u>	<u>472,340</u>
	<u>\$ 3,615,000</u>	<u>\$ 1,540,678</u>	<u>\$ 5,155,678</u>

The general obligation bonds are payable from the Debt Service Funds. As of June 30, 2004, the fund had a balance of \$ 100,029 to pay this debt. Future debt and interest will be payable from future tax levies.

Ithaca Public Schools
Notes to Financial Statements
June 30, 2004

Other bonds consist of the following:

\$ 235,847 Durant Refunding serial bonds due in
annual installments through 5/15/2013; interest at 4.76%
due annually \$ 150,674

These bond obligations issued by PA 142 are payable solely from and are secured solely by an assignment by each School District of certain categorical State School Aid payments. The State Legislature has no obligation to make such appropriations. In the event the Legislature fails to appropriate funds, the School District is under no obligation for repayment of the debt obligation issued by PA 142.

Future principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 11,416	\$ 5,146	\$ 16,562
2007	11,957	4,602	16,559
2008	55,123	23,032	78,155
2009	13,126	3,437	16,563
2010	13,750	2,812	16,562
2011-2013	<u>45,302</u>	<u>4,381</u>	<u>49,683</u>
	<u>\$ 150,674</u>	<u>\$ 43,410</u>	<u>\$ 194,084</u>

Compensated Absences

Accrued compensated absences at June 30, 2004 consists of \$ 8,421 of vacation hours earned and vested.

Retirement Benefits

The School District offered a voluntary severance incentive plan to employees to be paid over a five year period through 2007. The balance as of June 30, 2004 was \$ 275,000.

Future payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2005	97,500
2006	97,500
2007	<u>80,000</u>
	<u>\$ 275,000</u>

Ithaca Public Schools
Notes to Financial Statements
June 30, 2004

Interest expenditures for fiscal year 2004, in the General Fund and Debt Service Funds were \$ 4,966 and \$ 167,173, respectively.

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation) and certain medical benefits provided to employees.

The School District is subject to the Michigan Employment Security Act and has elected to pay unemployment claims on a direct self-insured basis. Under this method the School District must reimburse the Employment Commission for all benefits charged against the School District for the year. The School District had unemployment compensation expense of \$ 11,537 for the year ended June 30, 2004. No provision has been made for possible future claims.

The School District participates in a public entity risk pool through the School Employers Group. With the exception of unemployment described above, this program provides substantially all the insurance needs of the School District. The possibility of additional liabilities in excess of current year contributions exists, however, since the amounts are indeterminable and believed to be immaterial, no contingent liabilities or assets have been recognized on the School District's financial statements for the year ended June 30, 2004.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan Description

The School District has a defined benefit pension plan covering substantially all employees. The plan is operated by the State of Michigan's Public School Employees Retirement System (MPERS), which is a cost-sharing public employee retirement system (PERS).

The pension plan provides retirement, survivor and disability benefits to plan members and their beneficiaries.

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems who has the authority to establish and amend benefit provisions. The Michigan Department of Management and Budget issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to:

Office of Retirement Services
P.O. Box 30171
Lansing, Michigan 48909-7671
800-381-5111

Funding Policy

The School is required by State statute to contribute to MPERS an actuarially determined percentage of payroll for all participating employees. Additionally, employees participating in the Member Investment Plan contributed 3% to 4.3% of their covered wages through payroll deduction. In addition to retirement benefits, a portion of the total MPERS contribution is allocated to cover health, dental and vision benefits. The following table discloses pertinent information relative to MPERS funding for the three-year period beginning July 1, 2001 through June 30, 2004.

Ithaca Public Schools
Notes to Financial Statements
June 30, 2004

Year Ended June 30,

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Funding Percentage Range	12.99%	12.17-12.99%	11.66%-12.16%
Total school, payroll	\$ 6,934,198	\$ 6,847,456	\$ 7,012,310
Total covered payroll	6,649,438	6,600,915	6,768,116
School contributions	866,810	846,249	816,464
Employee MIP contributions	174,726	174,954	181,437
Tax deferred payment program	-	-	-
Portion of school contribution covering health, dental and vision benefits	47%	47%	46%

Trend Information

Ten-year historical trend information is presented in the September 30, 2003 PERS Comprehensive Annual Financial Report. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due. The total benefit obligations and net assets available for benefits as of September 30, 2002, the latest date for which information is available, approximates \$ 42 billion and \$ 38.4 billion, respectively. The School's share of the total current actuarially determined employer contribution requirement under MPSERS was less than 1% for the year ended September 30, 2003.

Post Employment Benefits

In addition to the pension benefits described above, the School District provides post-retirement health care, dental, and vision benefits for retirees and beneficiaries through Michigan Public School Employees Retirement System (MPSERS).

Expenditures for these benefits are recognized on a cash disbursement basis. During the year ended September 30, 2003, statewide expenditures of \$ 606.7 million were recognized for post-retirement health care, dental and vision. This represented approximately 21% of the total expenditures of the Michigan Public School Employees Retirement System.

NOTE 11 - FUND EQUITY

Specific reservations on fund equity include:

Reserved for scholarships and loans – This reserve was created to restrict the use of resources donated for scholarships and loans. The restriction is mandated by donor agreement.

Reserved for debt retirement – This reserve was created to segregate a portion of the fund balance account for debt retirement, including both principal payments and interest payments. The reservation was established to satisfy legal restrictions imposed by various bond agreements.

Reserved for inventory - This reserve was created to acknowledge funds that have already been spent for resources available to subsequent periods.

Ithaca Public Schools
Notes to Financial Statements
June 30, 2004

Designated for North Elementary new roof – This designation is for the new roof at North Elementary.

NOTE 12 - OPERATING LEASES

The District has entered into an operating lease for copier equipment. Scheduled minimum lease payments amount to \$ 33,444 per year through October 2005. Rent expense of \$ 33,444 for this operating lease is recorded in the General Administrative expenditures of the District for the year ended June 30, 2004.

NOTE 13 - CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

NOTE 14 - SUBSEQUENT EVENT

The School District has subsequently borrowed \$ 950,000 in short-term state aid anticipation notes through the Michigan Municipal Bond Authority. Proceeds from the borrowing will be distributed to the School District in August of 2004.

Ithaca Public Schools
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2004

	Budgeted Amounts			Actual over (under) final budget
	Original	Final	Actual	
Revenues				
Local	\$ 685,829	\$ 755,766	\$ 759,931	\$ 4,165
State	9,761,715	9,712,140	9,668,238	(43,902)
Federal	314,343	312,022	312,021	(1)
Interdistrict	344,141	368,014	371,606	3,592
Total revenues	11,106,028	11,147,942	11,111,796	(36,146)
Expenditures				
Instruction				
Basic programs	5,583,296	5,678,122	5,624,593	(53,529)
Added needs	1,228,942	1,277,133	1,272,604	(4,529)
Adult and continuing education	125,148	85,051	83,233	(1,818)
Supporting services				
Pupil	410,774	412,798	411,498	(1,300)
Instructional staff	133,116	135,073	135,071	(2)
General administration	700,464	755,034	757,637	2,603
School administration	573,097	564,681	558,751	(5,930)
Business	137,471	119,667	119,394	(273)
Operations and maintenance	1,025,971	1,144,927	1,157,392	12,465
Pupil transportation	521,876	507,167	503,506	(3,661)
Community service				
Community recreation	145,690	136,623	136,495	(128)
Other community services	13,060	61,795	60,928	(867)
Intergovernmental payments	17,360	11,922	11,922	-
Capital outlay	260,002	265,780	261,699	(4,081)
Other uses - operating transfers	203,560	196,114	206,103	9,989
Total expenditures and other uses	11,079,827	11,351,887	11,300,826	(51,061)
Net change in fund balance	26,201	(203,945)	(189,030)	14,915
Fund balance - beginning	1,886,001	2,102,234	2,102,234	-
Fund balance - ending	\$ 1,912,202	\$ 1,898,289	\$ 1,913,204	\$ 14,915

Ithaca Public Schools
Other Supplemental Information
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2004

	<u>Nonmajor Special Revenue Funds</u>		<u>Nonmajor Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>
	<u>Food Services</u>	<u>Athletics</u>		
Assets				
Cash	\$ 88,403	\$ 9,795	\$ 100,029	\$ 198,227
Accounts receivable	3,566	-	-	3,566
Inventory	1,967	-	-	1,967
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 93,936</u>	<u>\$ 9,795</u>	<u>\$ 100,029</u>	<u>\$ 203,760</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 3,058	\$ -	-	\$ 3,058
Accrued salaries payable	6,305	-	-	6,305
Due to other governmental units	25	-	-	25
Due to other funds	21,668	-	-	21,668
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	31,056	-	-	31,056
Fund Balance				
Reserved for debt service	-	-	100,029	100,029
Reserved for inventory	1,967	-	-	1,967
Undesignated	60,913	9,795	-	70,708
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>62,880</u>	<u>9,795</u>	<u>100,029</u>	<u>172,704</u>
Total liabilities and fund balance	<u>\$ 93,936</u>	<u>\$ 9,795</u>	<u>\$ 100,029</u>	<u>\$ 203,760</u>

Ithaca Public Schools
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2004

	<u>Nonmajor Special Revenue Funds</u>		<u>Nonmajor</u>	<u>Nonmajor</u>
	<u>Food Services</u>	<u>Athletics</u>	<u>Debt</u>	<u>Governmental</u>
			<u>Fund</u>	<u>Funds</u>
Revenues				
Local	\$ 321,025	\$ 108,463	\$ 348,255	\$ 777,743
State	25,602	-	-	25,602
Federal	168,953	-	-	168,953
Other sources - operating transfers	-	206,103	-	206,103
Total revenues and other sources	<u>515,580</u>	<u>314,566</u>	<u>348,255</u>	<u>1,178,401</u>
Expenditures				
Food services	490,727	-	-	490,727
Athletics	-	310,508	-	310,508
Debt service	-	-	337,999	337,999
Capital outlay	2,993	-	-	2,993
Total expenditures	<u>493,720</u>	<u>310,508</u>	<u>337,999</u>	<u>1,142,227</u>
Net change in fund balance	21,860	4,058	10,256	36,174
Fund balance - beginning	<u>41,020</u>	<u>5,737</u>	<u>89,773</u>	<u>136,530</u>
Fund balance - ending	<u>\$ 62,880</u>	<u>\$ 9,795</u>	<u>\$ 100,029</u>	<u>\$ 172,704</u>

**Ithaca Public Schools
General Fund
Comparative Balance Sheet
June 30, 2004 and 2003**

	June 30, 2004	2003
Assets		
Cash and cash equivalents	\$ 963,329	\$ 921,144
Assets held by others	26,387	24,469
Due from other funds	21,668	52,149
Due from other governmental units	1,773,504	1,811,187
Total assets	\$ 2,784,888	\$ 2,808,949
Liabilities and Fund Balance		
Liabilities		
Accounts payable	\$ 139,255	\$ 47,427
Due to employees	3,296	-
Due to other governmental units	718	-
Salaries payable	613,885	594,571
Accrued expenses	65,052	59,926
Deferred revenue	49,478	4,791
Total liabilities	871,684	706,715
Fund Balance		
Designated for North Elementary's new roof	200,000	-
Undesignated, beginning of year	1,713,204	2,102,234
Total fund balance	1,913,204	2,102,234
Total liabilities and fund balance	\$ 2,784,888	\$ 2,808,949

Ithaca Public Schools
General Fund
Comparative Statement of Revenues - Budget and Actual
Year Ended June 30, 2004
(With Comparative Amounts for 2003)

	Year Ended June 30, 2004			Year Ended June 30, 2003
	Budget	Actual	Over (Under) Budget	
Revenue from local sources				
Property tax levy	\$ 597,729	\$ 597,730	\$ 1	\$ 541,080
Other taxes	25,043	25,042	(1)	13,023
Tuition	58,569	58,564	(5)	46,357
Earnings from investments and deposits	10,392	11,115	723	19,598
Recreation fees	20,080	20,079	(1)	28,133
Other local revenues	43,953	47,401	3,448	26,632
Total revenue from local sources	755,766	759,931	4,165	674,823
Revenue from state sources				
Grants - unrestricted				
State school aid	8,846,558	8,814,773	(31,785)	8,955,137
Grants - restricted				
Durant	23,585	23,585	-	23,585
Motorcycle Safety	8,850	8,850	-	10,385
Driver education	10,546	10,546	-	9,056
Vocational education	22,210	22,210	-	28,072
Special education foundation	349,655	384,716	35,061	285,899
At risk	232,552	229,573	(2,979)	193,458
Early childhood education	115,500	72,585	(42,915)	52,516
Renaissance zone	102,513	101,184	(1,329)	97,825
Career prep	-	-	-	12,088
Other	171	216	45	3,527
Total revenue from state sources	9,712,140	9,668,238	(43,902)	9,671,548
Revenue from federal sources				
Grants received through the State and local sources				
Title I	207,744	207,744	-	249,558
Medicaid administration	25,643	25,642	(1)	13,689
Improving teaching quality	67,639	67,639	-	68,491
Technology literacy	4,738	4,738	-	7,328
Other	6,258	6,258	-	-
Total revenue from federal sources	312,022	312,021	(1)	339,066
Revenue from interdistrict sources				
County special education tax	360,014	360,014	-	351,616
Other reimbursements	8,000	11,592	3,592	7,881
Total revenue from interdistrict sources	368,014	371,606	3,592	359,497
Total revenues	\$ 11,147,942	\$ 11,111,796	\$ (36,146)	\$ 11,044,934

Ithaca Public Schools
General Fund
Comparative Statement of Expenditures - Budget and Actual
Year Ended June 30, 2004
(With Comparative Amounts for 2003)

	Year Ended June 30, 2004			Year Ended June 30, 2003
	Budget	Actual	Over (Under) Budget	
Instruction				
Basic programs				
Elementary				
Salaries	\$ 2,038,884	\$ 2,038,474	\$ (410)	\$ 2,073,286
Employee benefits	771,290	765,688	(5,602)	735,167
Supplies and materials	68,400	68,286	(114)	65,337
Other	1,100	1,100	-	1,350
	<u>2,879,674</u>	<u>2,873,548</u>	<u>(6,126)</u>	<u>2,875,140</u>
High school				
Salaries	1,732,767	1,732,330	(437)	1,685,864
Employee benefits	714,898	712,049	(2,849)	652,171
Purchased services	112,305	114,404	2,099	67,862
Supplies and materials	92,946	92,880	(66)	120,385
Other	2,224	2,224	-	2,956
	<u>2,655,140</u>	<u>2,653,887</u>	<u>(1,253)</u>	<u>2,529,238</u>
Early Childhood - Preschool				
Salaries	37,689	37,592	(97)	38,653
Employee benefits	17,106	17,006	(100)	15,677
Purchased services	2,182	2,182	-	3,057
Supplies and materials	48,623	1,818	(46,805)	1,609
Other	12,649	13,459	810	1,134
	<u>118,249</u>	<u>72,057</u>	<u>(46,192)</u>	<u>60,130</u>
Driver Education				
Salaries	17,884	17,884	-	14,257
Employee benefits	3,685	3,686	1	2,843
Purchased services	1,347	1,388	41	130
Supplies and materials	2,143	2,143	-	2,509
	<u>25,059</u>	<u>25,101</u>	<u>42</u>	<u>19,739</u>
Added needs				
Special education				
Salaries	536,403	536,421	18	501,915
Employee benefits	220,203	218,091	(2,112)	193,717
Purchased services	765	764	(1)	2,954
Supplies and materials	9,355	9,353	(2)	11,912
Other	1,615	1,615	-	7,005
	<u>768,341</u>	<u>766,244</u>	<u>(2,097)</u>	<u>717,503</u>
Compensatory education				
Salaries	346,715	348,487	1,772	359,537
Employee benefits	149,004	146,554	(2,450)	150,409
Purchased services	6,010	5,647	(363)	6,405
Supplies and materials	7,063	5,672	(1,391)	11,157
	<u>508,792</u>	<u>506,360</u>	<u>(2,432)</u>	<u>527,508</u>

Ithaca Public Schools
General Fund
Comparative Statement of Expenditures - Budget to Actual
Year Ended June 30, 2004
(With Comparative Amounts for 2003)
(Continued)

	Year Ended June 30, 2004			Year Ended June 30, 2003
	Budget	Actual	Over (Under) Budget	
Adult education				
Salaries	\$ 47,130	\$ 46,480	\$ (650)	\$ 56,478
Employee benefits	31,944	30,780	(1,164)	26,139
Purchased services	338	337	(1)	169
Supplies and materials	5,505	5,503	(2)	4,552
Other	134	133	(1)	9,655
	<u>85,051</u>	<u>83,233</u>	<u>(1,818)</u>	<u>96,993</u>
Total Instruction	<u>7,040,306</u>	<u>6,980,430</u>	<u>(59,876)</u>	<u>6,826,251</u>
Supporting Services				
Pupil				
Guidance services				
Salaries	184,169	184,170	1	177,574
Employee benefits	75,291	73,951	(1,340)	69,971
Purchased services	322	321	(1)	618
Supplies and materials	926	925	(1)	995
Other	1,233	1,233	-	180
	<u>261,941</u>	<u>260,600</u>	<u>(1,341)</u>	<u>249,338</u>
Health services				
Purchased services	694	733	39	1,833
Supplies and materials	480	480	-	1,082
	<u>1,174</u>	<u>1,213</u>	<u>39</u>	<u>2,915</u>
Speech Pathology				
Salaries	65,650	65,651	1	63,232
Employee benefits	15,256	15,256	-	13,760
Purchased services	179	179	-	128
Supplies and materials	708	708	-	530
	<u>81,793</u>	<u>81,794</u>	<u>1</u>	<u>77,650</u>
Social Work services				
Salaries	53,837	53,838	1	51,419
Employee benefits	13,056	13,056	-	11,644
Purchased services	540	540	-	519
Supplies and materials	457	457	-	373
	<u>67,890</u>	<u>67,891</u>	<u>1</u>	<u>63,955</u>
Instructional staff				
Library				
Salaries	74,319	74,320	1	72,638
Employee benefits	30,489	30,490	1	26,512
Purchased services	54	53	(1)	111
Supplies and materials	21,582	21,580	(2)	29,169
Other	7,450	7,450	-	7,420
	<u>133,894</u>	<u>133,893</u>	<u>(1)</u>	<u>135,850</u>

Ithaca Public Schools
General Fund
Comparative Statement of Expenditures - Budget to Actual
Year Ended June 30, 2004
(With Comparative Amounts for 2003)
(Continued)

	Year Ended June 30, 2004			Year Ended June 30, 2003
	Budget	Actual	Over (Under) Budget	
Audiovisual				
Purchased services	\$ 563	\$ 563	\$ -	\$ 215
Supplies and materials	616	615	(1)	613
	<u>1,179</u>	<u>1,178</u>	<u>(1)</u>	<u>828</u>
General administration				
Board of education				
Salaries	104,011	104,011	-	115,565
Employee benefits	7,459	7,459	-	8,219
Purchased services	38,348	41,498	3,150	31,819
Supplies and materials	1,314	1,314	-	2,942
Other	9,340	9,647	307	11,699
	<u>160,472</u>	<u>163,929</u>	<u>3,457</u>	<u>170,244</u>
Executive administration				
Salaries	193,699	194,412	713	188,199
Employee benefits	90,027	87,280	(2,747)	91,319
Purchased services	126,482	128,191	1,709	95,372
Supplies and materials	135,269	135,041	(228)	74,525
Other	4,517	4,216	(301)	5,316
	<u>549,994</u>	<u>549,140</u>	<u>(854)</u>	<u>454,731</u>
School administration				
Office of the principal				
Salaries	376,591	377,316	725	361,923
Employee benefits	152,929	146,170	(6,759)	151,341
Purchased services	7,912	8,010	98	8,274
Supplies and materials	23,676	23,682	6	21,472
Other	3,573	3,573	-	5,731
	<u>564,681</u>	<u>558,751</u>	<u>(5,930)</u>	<u>548,741</u>
Technology Specialist				
Salaries	<u>44,568</u>	<u>44,568</u>	<u>-</u>	<u>43,909</u>
Fiscal services				
Salaries	44,444	45,266	822	44,314
Employee benefits	25,675	24,580	(1,095)	27,989
Purchased services	2,000	2,000	-	5,000
	<u>72,119</u>	<u>71,846</u>	<u>(273)</u>	<u>77,303</u>
Other business services				
Purchased services	38,138	38,138	-	32,775
Other	9,410	9,410	-	13,403
	<u>47,548</u>	<u>47,548</u>	<u>-</u>	<u>46,178</u>

Ithaca Public Schools
General Fund
Comparative Statement of Expenditures - Budget to Actual
Year Ended June 30, 2004
(With Comparative Amounts for 2003)
(Continued)

	Year Ended June 30, 2004			Year Ended June 30, 2003
	Budget	Actual	Over (Under) Budget	
Operation and maintenance of plant				
Salaries	\$ 410,398	\$ 418,783	\$ 8,385	\$ 420,818
Employee benefits	230,847	229,416	(1,431)	233,544
Purchased services	235,479	240,489	5,010	69,508
Supplies and materials	268,203	268,704	501	277,501
Other	-	-	-	96
	<u>1,144,927</u>	<u>1,157,392</u>	<u>12,465</u>	<u>1,001,467</u>
Pupil transportation services				
Salaries	299,109	299,501	392	298,200
Employee benefits	94,484	89,985	(4,499)	102,374
Purchased services	23,168	23,465	297	19,497
Supplies and materials	85,381	85,471	90	73,100
Other	5,025	5,084	59	5,012
	<u>507,167</u>	<u>503,506</u>	<u>(3,661)</u>	<u>498,183</u>
Total Supporting Services	<u>3,639,347</u>	<u>3,643,249</u>	<u>3,902</u>	<u>3,371,292</u>
Community Services				
Community recreation				
Salaries	84,947	84,536	(411)	87,846
Employee benefits	22,487	21,262	(1,225)	23,691
Purchased services	2,836	3,304	468	5,479
Supplies and materials	26,345	27,373	1,028	34,639
Other	8	20	12	656
	<u>136,623</u>	<u>136,495</u>	<u>(128)</u>	<u>152,311</u>
Other Community Services				
Salaries	43,479	43,432	(47)	36,534
Employee benefits	15,007	14,189	(818)	15,396
Purchased services	1,879	1,878	(1)	826
Supplies and materials	1,430	1,429	(1)	3,636
	<u>61,795</u>	<u>60,928</u>	<u>(867)</u>	<u>56,392</u>
Total Community Services	<u>198,418</u>	<u>197,423</u>	<u>(995)</u>	<u>208,703</u>
Intergovernmental payments - tuition	<u>11,922</u>	<u>11,922</u>	<u>-</u>	<u>19,539</u>
Capital Outlay				
Instruction				
Basic instruction	6,653	6,652	(1)	5,573
Added needs	1,070	1,070	-	7,158
	<u>7,723</u>	<u>7,722</u>	<u>(1)</u>	<u>12,731</u>
Support				
Pupil services	3,723	3,723	-	66
Instructional staff	7,081	7,081	-	5,409
General administration	149,597	145,517	(4,080)	126,219
Principals	669	669	-	2,446
Operations/maintenance services	11,824	11,824	-	3,831
Transportation services	85,163	85,163	-	53,454
	<u>258,057</u>	<u>253,977</u>	<u>(4,080)</u>	<u>191,425</u>
Total Capital Outlay	<u>265,780</u>	<u>261,699</u>	<u>(4,081)</u>	<u>204,156</u>

Ithaca Public Schools
General Fund
Comparative Statement of Expenditures - Budget and Actual
Year Ended June 30, 2004
(With Comparative Amounts for 2003)
(Concluded)

	Year Ended June 30, 2004			Year Ended June 30, 2003
	Budget	Actual	Over (Under) Budget	
Other Financing Uses				
Fund modification				
Operating transfer	196,114	206,103	9,989	211,552
Total Expenditures and				
Other Financing Uses	<u>\$ 11,351,887</u>	<u>\$ 11,300,826</u>	<u>\$ (51,061)</u>	<u>\$ 10,841,493</u>

**Ithaca Public Schools
Special Revenue Funds
Combining Balance Sheet
June 30, 2004 and 2003**

	June 30, 2004			Total June 30, 2003
	Food Service	Athletics	Total	
Assets				
Cash and equivalents	\$ 88,403	\$ 9,795	\$ 98,198	\$ 101,527
Accounts receivable	3,566	-	3,566	4,790
Inventory	1,967	-	1,967	2,952
Total Assets	<u>\$ 93,936</u>	<u>\$ 9,795</u>	<u>\$ 103,731</u>	<u>\$ 109,269</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 3,058	\$ -	\$ 3,058	\$ 6,510
Salaries payable	6,305	-	6,305	3,853
Due to other governmental units	25	-	25	-
Due to general fund	21,668	-	21,668	52,149
Total liabilities	31,056	-	31,056	62,512
Fund Balance	<u>62,880</u>	<u>9,795</u>	<u>72,675</u>	<u>46,756</u>
Total Liabilities and Fund Balance	<u>\$ 93,936</u>	<u>\$ 9,795</u>	<u>\$ 103,731</u>	<u>\$ 109,268</u>

Ithaca Public Schools
Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Year Ended June 30, 2004
(With Comparative Totals for 2003)

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	Year Ended June 30, 2004						Total Year Ended June 30, 2003
	Food Service		Athletics		Totals		
	Budget	Actual	Budget	Actual	Budget	Actual	
Revenues							
Local sources	\$ 311,200	\$ 321,025	\$ 108,249	\$ 108,463	\$ 419,449	\$ 429,488	\$ 407,516
State sources	32,000	25,602	-	-	32,000	25,602	32,167
Federal sources	146,000	168,953	-	-	146,000	168,953	170,722
Total revenues	489,200	515,580	108,249	108,463	597,449	624,043	610,405
Expenditures							
Salaries	166,398	167,401	142,682	145,326	309,080	312,727	292,444
Employee benefits	48,168	42,584	31,599	28,952	79,767	71,536	76,148
Purchased services	28,600	22,855	3,820	3,865	32,420	26,720	25,458
Supplies and materials	232,299	256,859	26,044	130,540	258,343	387,399	378,383
Other expense	875	1,028	1,825	1,825	2,700	2,853	2,625
Capital outlay	10,000	2,993	-	-	10,000	2,993	10,417
Total expenditures	486,340	493,720	205,970	310,508	692,310	804,228	785,475
Other Financing Sources							
Operating transfer	-	-	196,114	206,103	196,114	206,103	211,552
Excess of revenues and other financing sources over expenditures	2,860	21,860	98,393	4,058	101,253	25,918	36,482
Fund Balance - July 1	34,525	41,020	75,166	5,737	109,691	46,757	10,274
Fund Balance - June 30	\$ 37,385	\$ 62,880	\$ 173,559	\$ 9,795	\$ 210,944	\$ 72,675	\$ 46,756

**Ithaca Public Schools
Debt Service Fund
Comparative Balance Sheet
June 30, 2004 and 2003**

	June 30,	
	<u>2004</u>	<u>2003</u>
Assets		
Cash	<u>\$ 100,029</u>	<u>\$ 89,773</u>
Fund Balance	<u>\$ 100,029</u>	<u>\$ 89,773</u>

Ithaca Public Schools
Debt Service Fund
Comparative Statement of Revenues, Expenditures
and Changes in Fund Balance
Year Ended June 30, 2004 and 2003

	Year Ended June 30,	
	2004	2003
Revenues		
Local sources		
Property tax levy	\$ 343,960	\$ 325,639
Interest revenue	939	1,404
Other	3,356	1,361
Total revenues	<u>348,255</u>	<u>328,404</u>
Expenditures		
Redemption of bonds	170,000	165,000
Interest on debt	167,173	178,300
Other transactions	51	205
Total expenditures	<u>337,999</u>	<u>343,505</u>
Excess (deficiency) of revenues over expenditures	10,256	(15,101)
Fund Balance - July 1	<u>89,773</u>	<u>104,874</u>
Fund Balance - June 30	<u>\$ 100,029</u>	<u>\$ 89,773</u>

**Ithaca Public Schools
Trust and Agency Funds
Combining Balance Sheet
June 30, 2004 with comparative totals for 2003**

	June 30, 2004				
	Private Purpose Trust Funds		Agency Funds		
	Expendable Trust Funds	Nonexpendable Trust Funds	Student Activity Funds	Total	June 30, 2003 Total
Assets					
Cash and cash equivalents	\$ 14,183	\$ 48,399	\$ 207,053	\$ 269,635	\$ 250,369
Liabilities and Fund Balance					
Liabilities					
Due to student groups	\$ -	\$ -	\$ 207,053	\$ 207,053	\$ 195,125
Fund Balance	14,183	48,399	-	62,582	55,244
Total Liabilities and Fund Balance	\$ 14,183	\$ 48,399	\$ 207,053	\$ 269,635	\$ 250,369

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	E.E. Down Memorial Fund	Kristyn Ahern Memorial Fund	John Barden Memorial Fund	Carpenter Memorial Fund	Chaffin/ Portner Fund	Bernie Coe Memorial Fund	Totals	
							For the Year Ended June 30,	
							2004	2003
Revenues								
Contributions	\$ 250	\$ 245	\$ 200	\$ 211	\$ 190	\$ 22	\$ 1,118	\$ 1,937
Expenditures								
Awards	250	250	200	200	445	1,000	2,345	2,843
Excess (deficiency) of revenues over expenditures	-	(5)	-	11	(255)	(978)	(1,227)	(906)
Fund Balance - July 1	505	3,896	3,110	21,001	18,846	2,268	49,626	50,532
Fund Balance - June 30	\$ 505	\$ 3,891	\$ 3,110	\$ 21,012	\$ 18,591	\$ 1,290	\$ 48,399	\$ 49,626

Ithaca Public Schools
Private Purpose Trust Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Year Ended June 30, 2004
(With Comparative Totals for 2003)

	Frank Stone Fund	Randall Johnson Fund	Rich Ebright Fund	Totals For the Year Ended June 30,	
				2004	2003
Revenues					
Contributions	\$ 17	\$ 39	\$ 10,359	\$ 10,415	\$ 150
Expenditures					
Awards	350	500	1,000	1,850	850
Excess (deficiency) of revenues over expenditures	(333)	(461)	9,359	8,565	(700)
Fund Balance - July 1	1,475	4,143	-	5,618	6,318
Fund Balance - June 30	<u>\$ 1,142</u>	<u>\$ 3,682</u>	<u>\$ 9,359</u>	<u>\$ 14,183</u>	<u>\$ 5,618</u>

Ithaca Public Schools
Agency Fund
Changes in Amounts Due to Student Groups
Year Ended June 30, 2004

	Due to Student Groups July 1, 2003	Cash Receipts	Cash Disbursements	Due to Student Groups June 30, 2004
Activity Funds				
High School Accounts				
Annuaals	\$ 9,052	\$ 18,479	\$ 18,817	\$ 8,714
Art Department	119	1,666	1,910	(125)
Band Department	1,243	10,004	8,726	2,521
Basketball fundraiser	385	-	-	385
Beverage account	49,010	11,492	11,586	48,916
B.P.A.	3,272	19,794	18,537	4,529
Cadet Teachers	46	-	-	46
Cheerleaders	1	2,652	2,046	607
Choral Music	2,139	6,752	7,598	1,293
Class of 1997	1,584	-	-	1,584
Class of 2001	2,910	-	-	2,910
Class of 2003	710	787	450	1,047
Class of 2004	1,689	5,538	6,145	1,082
Class of 2005	(183)	5,945	3,012	2,750
Class of 2006	1,012	579	360	1,231
Class of 2007	-	263	516	(253)
Drama	378	1,124	462	1,040
50-50 account	3,700	2,602	4,313	1,989
Future Farmers of America	1,913	34,073	37,898	(1,912)
Germany trip	(22)	12,524	12,428	74
Graduation	1,287	10,595	7,391	4,491
Growler	4,446	6,628	8,058	3,016
Industrial arts	1,638	560	-	2,198
Interest account	22,540	5,502	4,000	24,042
Junior High	3,015	6,125	7,020	2,120
Jr. High Student Coun.	1,568	24	83	1,509
JV Cheerleaders	317	844	1,161	-
Library	5,340	4,958	4,910	5,388
Mahoney memorial	69	-	-	69
Multi-Cultural Club	1,129	-	480	649
Musical Production	4,316	3,559	4,371	3,504
Nat'l Forensic League	114	-	-	114
National Honors Society	54	-	-	54
Pep club	129	-	-	129
Pom Pon Squad	78	8,014	7,669	423
Principals account	(4)	540	494	42
S.A.D.D.	16	-	-	16
S.A.F.E.	1,472	161	80	1,553
Special football	6,206	13,809	14,116	5,899
Student Council	1,900	4,075	2,578	3,397
Super Mileage Club	4	-	-	4
Teacher wellness	106	1,110	901	315
Textbooks	3,136	3,093	5,440	789
Varsity Club	(796)	12,871	11,353	722
Video club	1,564	504	781	1,287
Total High School accounts	138,602	217,246	215,690	140,158

Ithaca Public Schools
Agency Fund
Changes in Amounts Due to Student Groups
Year Ended June 30, 2004
(Concluded)

	Due to Student Groups July 1, 2003	Cash Receipts	Cash Disbursements	Due to Student Groups June 30, 2004
Activity Fund				
Elementary Accounts				
South Elementary	\$ 25,351	\$ 30,779	\$ 26,439	\$ 29,691
North Elementary	31,172	59,533	53,501	37,204
Total Elementary	56,523	90,312	79,940	66,895
Total Activity Funds	\$ 195,125	\$ 307,558	\$ 295,630	\$ 207,053

Ithaca Public Schools
Schedule of Bond Indebtedness
June 30, 2004

DATE OF ISSUE - 1998

ORIGINAL AMOUNT OF ISSUE - \$ 235,847

PURPOSE OF ISSUE - Settlement for Durant.

<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Annual Maturity May 15th</u>	<u>Annual Interest Payments May 15th</u>	<u>Total Fiscal Year Requirements</u>
4.761%	2004-05	\$ -	\$ -	\$ -
4.761%	2005-06	11,416	5,146	16,562
4.761%	2006-07	11,957	4,602	16,559
4.761%	2007-08	55,124	23,032	78,156
4.761%	2008-09	13,126	3,437	16,563
4.761%	2009-10	13,750	2,812	16,562
4.761%	2010-11	14,405	2,157	16,562
4.761%	2011-12	15,089	1,471	16,560
4.761%	2012-13	15,807	753	16,560
		<u>\$ 150,674</u>	<u>\$ 43,410</u>	<u>\$ 194,084</u>

Ithaca Public Schools
Schedule of Bond Indebtedness
June 30, 2004

DATE OF ISSUE - 1999

ORIGINAL AMOUNT OF ISSUE - \$ 3,910,000

PURPOSE OF ISSUE - For the purpose of refunding the portion of the School District's outstanding 1993 School Building and Site Bonds, dated March 1, 1993, which are due and payable May 1, 2004 through May 1, 2010, inclusive, May 1, 2015 and May 1, 2021 (the "Prior Bonds"); and to pay the costs of issuing the Bonds.

Interest Rate	Fiscal Year	Annual Maturity May 1st	Semi-Annual Interest Payments		Total Fiscal Year Requirements
			November 1st	May 1st	
3.850%	2004-05	\$ 180,000	\$ 80,399	\$ 80,399	\$ 340,798
3.950%	2005-06	190,000	76,934	76,934	343,868
4.050%	2006-07	195,000	73,181	73,181	341,362
4.100%	2007-08	200,000	69,232	69,232	338,464
4.150%	2008-09	210,000	65,133	65,133	340,266
4.200%	2009-10	220,000	60,775	60,775	341,550
4.300%	2010-11	220,000	56,155	56,155	332,310
4.350%	2011-12	220,000	51,425	51,425	322,850
4.450%	2012-13	220,000	46,640	46,640	313,280
4.550%	2013-14	220,000	41,745	41,745	303,490
4.600%	2014-15	220,000	36,740	36,740	293,480
4.650%	2015-16	220,000	31,680	31,680	283,360
4.700%	2016-17	220,000	26,565	26,565	273,130
4.750%	2017-18	220,000	21,395	21,395	262,790
4.900%	2018-19	220,000	16,170	16,170	252,340
4.900%	2019-20	220,000	10,780	10,780	241,560
4.900%	2020-21	220,000	5,390	5,390	230,780
		<u>\$ 3,615,000</u>	<u>\$ 770,339</u>	<u>\$ 770,339</u>	<u>\$ 5,155,678</u>

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Members of the Board of Education
Ithaca Public Schools
Ithaca, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information for Ithaca Public Schools as of and for the year ended June 30, 2004, and have issued our report thereon dated August 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Ithaca Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Ithaca Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management and related regulatory agencies and is not intended for and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Alma, Michigan
August 19, 2004